

DOCKET FILE COPY ORIGINAL

RECEIVED

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

SEP 25 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Federal-State Joint Board on
Universal Service

CC Docket No. 96-45

Access Charge Reform

CC Docket No. 96-262

Price Cap Performance Review
for Local Exchange Carriers

CC Docket No. 94-1

Transport Rate Structure
and Pricing

CC Docket No. 91-213

End User Common Line Charges

CC Docket No. 95-72

AT&T COMMENTS ON SECOND FURTHER NOTICE OF PROPOSED RULEMAKING

Mark C. Rosenblum
Peter H. Jacoby
Judy Sello

Room 3245I1
295 North Maple Avenue
Basking Ridge, NJ 07920
(908) 221-8984

September 25, 1997

TABLE OF CONTENTS

	<u>Page</u>
ARGUMENT	2
CONCLUSION	6

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

<hr/>)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
<hr/>)	
Access Charge Reform)	CC Docket No. 96-262
)	
Price Cap Performance Review)	CC Docket No. 94-1
for Local Exchange Carriers)	
)	
Transport Rate Structure)	CC Docket No. 91-213
and Pricing)	
)	
End User Common Line Charges)	CC Docket No. 95-72
<hr/>)	

AT&T COMMENTS ON SECOND FURTHER NOTICE OF PROPOSED RULEMAKING

Pursuant to Section 1.415 of the Commission's Rules, 47 C.F.R. § 1.415, and its Second Further Notice of Proposed Rulemaking, FCC 97-317, released September 4, 1997 ("SENPRM"), AT&T Corp. ("AT&T") submits these comments on issues related to recovery of presubscribed interexchange carrier charges ("PICCs") when a Lifeline customer has elected toll blocking. To ensure competitive neutrality and to avoid providing disincentives for Lifeline customers to elect toll blocking, the Commission should waive the PICC when a Lifeline customer elects toll blocking (irrespective of whether he or she has presubscribed to an interexchange carrier) and allow the carrier (whether the incumbent local exchange carrier ("LEC")

or a new entrant otherwise permitted to collect access charges) that provides local service to the customer to recover the PICC from the Lifeline program of the federal universal service support fund ("USF").

ARGUMENT

In the Universal Service Order¹ the Commission required carriers wishing to obtain Lifeline support on behalf of eligible low-income consumers to provide toll blocking and toll control, to enable them to limit the amount they spend on long distance calls. In the Access Reform Order,² the Commission revised the interstate access charge rate structure for incumbent LECs subject to price cap regulation and established a flat-rate PICC to permit them to recover common

¹ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 97-157, released May 8, 1997, and published in the Federal Register on June 17, 1997 (62 Fed. Reg. 32862), pets. for review pending sub nom. Texas Office of Public Utility Counsel v. FCC, Nos. 97-60421 et al. (5th Cir.) ("Universal Service Order"), id., Order on Reconsideration, FCC 97-246, released July 10, 1997; Second Order on Reconsideration, FCC 97-253, released July 18, 1997. Unless another Order is specifically referenced, all paragraph citations herein are to the SENPRM.

² Access Charge Reform, CC Docket Nos. 96-262, 94-1, 91-213, 95-72, First Report and Order, FCC 97-158, released May 16, 1997, para. 38, and published in the Federal Register on June 11, 1997 (62 Fed. Reg. 31868) pets. for review pending sub nom. Southwestern Bell Tel. Co. v. FCC, Nos. 97-2618 et al. (8th Cir.) ("Access Reform Order"), id., Order on Reconsideration, FCC 97-247, released July 10, 1997.

line revenues not otherwise recovered from end users through subscriber line charges ("SLCs").

In the SFNPRM (para. 5) the Commission tentatively concludes that, as part of its effort to make toll blocking easily available to low-income consumers, the Commission should waive the \$0.53 PICC for Lifeline customers who elect toll blocking. It further tentatively concludes that because these waived charges are costs associated with the provision of Lifeline service, they should be supported by the low-income program of the federal universal service support mechanisms and recovered in a competitively neutral manner through contributions from all telecommunications carriers. *Id.*

AT&T supports each of the Commission's tentative conclusions. According to the Commission's findings, many subscribers lose access to telecommunications services because they fail to pay long distance bills.³ For precisely that reason and consistent with its mandate to help sustain universal service through high subscribership levels, the Commission has taken various steps in the Universal Service Order to ensure the availability of toll blocking without charge so as to enable Lifeline customers to avoid generating uncollectible toll revenues.⁴

³ Universal Service Order, para. 385.

⁴ While AT&T supports the availability of toll blocking, AT&T agrees with suggestions made by U S WEST (at 20-21)

(footnote continued on following page)

Because toll blocking would prevent the customer from completing long distance calls on a 1+ (presubscribed) basis, as the Commission observes (para. 4), Lifeline customers who elect toll blocking probably would not presubscribe to an interexchange carrier ("IXC"). However, if a customer does not presubscribe to an IXC, the Access Reform Order (para. 92) permits the LEC to assess the PICC directly on the Lifeline customer, thereby providing low-income consumers with an economic incentive not to subscribe to toll blocking, contrary to the Commission's universal service goals.

(footnote continued from previous page)

and USTA (at 4-7) in their July 17, 1997 petitions for reconsideration of the Universal Service Order that carriers should be permitted to offer either toll blocking or toll control to a Lifeline customer. As these parties correctly point out, toll control creates enormous and unnecessary burdens on carriers, is dependent on billing software modifications implemented only by a few of the largest incumbent LECs and, in all events, would require hourly information from long distance carriers. Despite all these burdens, it does not prevent excessive toll charges through collect or third number billed calls. Given the limitations of the effectiveness of current methods of toll control, requiring eligible carriers to offer toll control in order to receive universal service support is unreasonable.

The Commission's proposal to waive the PICC for Lifeline customers who elect toll blocking is appropriate. This is true whether or not the Lifeline customer with toll blocking has presubscribed to an IXC. As the Commission recognizes (para. 4), if the customer has not presubscribed to an IXC, waiver of the PICC is necessary to avoid creating a disincentive against toll blocking because the charge would otherwise be recovered from the end user.

As AT&T has previously suggested, even if a Lifeline customer has presubscribed to an IXC, if the customer elects toll blocking, the PICC should be waived.⁵ In this instance waiver is appropriate because, by electing toll blocking, the customer has indicated that he or she will not be placing long distance calls and thus will not be generating long distance revenue for the IXC. Accordingly, in this circumstance, waiver of the PICC and recovery in the amount of the PICC from the universal service fund's low-income support program recognizes that a subsidy to defray loop costs for this subscriber should be borne by all telecommunications carriers in a competitively neutral manner rather than from a single

⁵ AT&T Opposition to Petitions for Reconsideration in Federal-State Joint Board on Universal Service, CC Docket No. 96-45, filed August 18, 1997, at 25.

IXC to which the customer has presubscribed but for which it will not be generating long distance revenue.⁶

To ensure competitive neutrality, whenever a competitive local exchange carrier ("CLEC") provides Lifeline service to an eligible end user in circumstances where it would otherwise be entitled to charge IXCs for access (i.e., if the CLEC provides the Lifeline service using its own facilities, including unbundled network elements ("UNEs"), or a combination of its own facilities and resale), then the CLEC must be permitted to recover the PICC from the USF, just as the incumbent LEC could do, if the Lifeline customer elects toll blocking.⁷

⁶ As the Commission explained in the Access Reform Order (paras. 6, 38), the new flat-rate PICC was designed to permit LECs to recover common line revenues not recovered because of caps on the SLC on a flat-rate basis from the IXC to which the line is presubscribed.

⁷ The Commission has exempted UNE purchasers from payment of access charges, because the payment of cost-based rates represents full compensation to the incumbent LEC for the use of the UNEs, which may be used by the UNE purchaser to provide access services to others. Access Reform Order, paras. 337-340. By contrast, CLECs providing local service through total service resale do not provide access to IXCs, rather the incumbent LEC continues to do so.

CONCLUSION

For the reasons stated above, the Commission should adopt its proposal to waive the PICC for Lifeline customers who elect toll blocking and authorize the carrier providing local service to that customer and otherwise entitled to collect access charges to recover the PICC from the federal universal service fund.

Respectfully submitted,

AT&T CORP.

By /s/ Judy Sello

Mark C. Rosenblum
Peter H. Jacoby
Judy Sello

Room 3245I1
295 North Maple Avenue
Basking Ridge, New Jersey 07920
(908) 221-8984

Its Attorneys

September 25, 1997

CERTIFICATE OF SERVICE

I, Viola J. Carlone, do hereby certify that on this 25th day of September, 1997, a copy of the foregoing AT&T Comments on Second Further Notice of Proposed Rulemaking was served by U.S. first class mail, postage prepaid, to the parties listed on the attached Service List.

/s/ Viola J. Carlone
Viola J. Carlone

SERVICE LIST
(CC Docket 96-45)

The Honorable Reed E. Hundt, Chairman
Federal Communications Commission
1919 M St., NW, Room 814
Washington, DC 20554

The Honorable Rachelle B. Chong, Commissioner
Federal Communications Commission
1919 M St., NW, Room 844
Washington, DC 20554

The Honorable Susan Ness, Commissioner
Federal Communications Commission
1919 M St., NW, Room 832
Washington, DC 20554

The Honorable James H. Quello,
Commissioner
Federal Communications Commission
1919 M Street, NW, Room 802
Washington, DC 20554

The Honorable Julia Johnson, Commissioner
Florida Public Service Commission
Gerald Gunter Bldg.
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

The Honorable David N. Baker, Commissioner
Georgia Public Service Commission
244 Washington Street, SW
Atlanta, GA 30334-5701

The Honorable H. Russell Frisby,
Commissioner
Maryland Public Service Commission
16th Floor, 6 Paul Street
Baltimore, MD 21202-6806

The Honorable Laska Schoenfelder, Commissioner
South Dakota Public Utilities Commission
State Capitol, 500 E. Capitol St.
Pierre, SD 57501-5070

Martha S. Hogerty
Office of Public Counsel
301 West High Street, Suite 250
P.O. Box 7800
Jefferson City, MO 65102

Tom Boasberg
Federal Communications Commission
Office of Chairman
1919 M St., NW, Room 814
Washington, DC 20554

Charles Bolle
South Dakota Public Utilities Commission
State Capitol, 500 E. Capitol St.
Pierre, SD 57501-5070

Deonne Bruning
Nebraska Public Utilities Commission
300 The Atrium, 1200 N St.
P.O. Box 94927
Lincoln, NE 68509-4927

James Casserly
Federal Communications Commission
Office of Commissioner Ness
1919 M St., NW, Room 832
Washington, DC 20554

Rowland L. Curry
Texas Public Utility Commission
1701 N. Congress Avenue
P.O. Box 13326
Austin, TX 78701

Ann Dean
Maryland Public Service Commission
16th Floor, 6 Paul Street
Baltimore, MD 21202-6806

Bridget Duff, State Staff Chair
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0866

Kathleen Franco
Federal Communications Commission
Office of Commissioner Chong
1919 M St., NW, Room 844
Washington, DC 20554

Paul Gallant
Federal Communications Commission
Office of Commissioner Quello
1919 M Street, NW, Room 802
Washington, DC 20554

Emily Hoffnar, Federal Staff Chair
Federal Communications Commission
Accounting and Audits Division
Universal Service Branch
2100 M St., NW, Room 8617
Washington, DC 20554

Lori Kenyon
Alaska Public Utilities Commission
1016 W. Sixth Ave., Suite 400
Anchorage, AK 99501

Debra M. Kriete
Pennsylvania Public Utilities Commission
North Office Building, Room 110
Commonwealth and North Avenues
P.O. Box 3265
Harrisburg, PA 17105-3265

Sandra Makeeff
Iowa Utilities Board
Lucas State Office Bldg.
Des Moines, IA 50319

Philip F. McClelland
Pennsylvania Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Thor Nelson
Colorado Office of Consumer Counsel
1580 Logan Street, Suite 610
Denver, CO 80203

Barry Payne
Indiana Office of the Consumer Counsel
100 N. Senate Ave., Room N501
Indianapolis, IN 46204-2208

Timothy Peterson, Deputy Division Chief
Federal Communications Commission
Accounting and Audits Division
2100 M Street, NW, Room 8613
Washington, DC 20554

James Bradford Ramsay
National Assn. of Regulatory Utility
Commissioners
1100 Pennsylvania Ave., NW
P.O. Box 684
Washington, DC 20044-0684

Brian Roberts
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102

Kevin Schwenzfeier
NYS Dept of Public Service
3 Empire State Plaza
Albany, NY 12223

Tiane Sommer
Georgia Public Service Commission
244 Washington Street, SW
Atlanta, GA 30334-5701

Sheryl Todd (plus 8 copies)
Federal Communications Commission
Accounting and Audits Division
Universal Service Branch
2100 M Street, NW, Room 8611
Washington, DC 20554